ORIGINAL

STATE of INDIANA

EX PARTE OR LATE FILED

INDIANA UTILITY REGULATORY COMMISSION
302 W. WASHINGTON STREET, SUITE E-306
INDIANAPOLIS, INDIANA 46204-2764

http://www.state.in.us/iurc/
Office: (317) 232-2701
Facsimile: (317) 232-6758

September 21, 2001

RECEIVED

OCT - 2 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Chairman Michael K. Powell
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: Ex Parte Comments - To be filed in the proceeding captioned *" In the Matter of 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers,"* CC Docket No. 00-199.

Dear Chairman Michael K. Powell:

In accordance with Section 1.1206(b)(1) of the FCC's rules, the Indiana Utility Regulatory Commission submits for filing this written *ex parte* contact for inclusion in the public record of this proceeding.

The Indiana Utility Regulatory Commission appreciates the fact that the states were invited into the process early to work with the FCC on reforming the Uniform System of Accounts (USOA). The process worked. The streamlining suggested by the State/FCC collaborative group, eliminated about 40 percent of the accounts We believe the right balance – *with the addition of several new accounts* – has been struck. The IURC views this as a package. It is just as important to begin to develop the means of accurately reporting the revenues and expenses associated with the ILECs' new obligations under TA-96 [e.g., 252(d)(1); 251(c)(2), (c)(3), (c)(4) and (c)(6), and portions of Section 254] as it is to eliminate allegedly burdensome reporting requirements. It is just as important to begin to develop the means of measuring the spread of competition (as measured by revenue and expense data for the new interconnection, UNE, collocation, resale, and USF accounts) as it is to simplify the chart of accounts. Creating additional accounts to track the ILEC's obligations under section 251 is both reasonable and necessary. The affected Sect. 251 revenues and expenses are currently aggregated with those of other accounts. As an example, on one of the FCC-State Ad Hoc accounting calls last year, FCC staff indicated that resale revenues are currently classified as "rent." This level of aggregation makes sense only if "rent" is defined in the broadest possible terms. It does nothing to assist the States and the FCC in actually monitoring the extent of local competition (in this case, through resale of ILEC bundled services).

No. of Copies rec'd 0
List ABCDE

The Indiana Utility Regulatory Commission through its Telecommunications Division staff has been working informally with other states and the FCC since before the original Notice of Proposed Rulemaking, to find ways to streamline the accounting functions at the FCC. Last spring there were 5 public meetings where carriers, consumer groups, and NARUC members participated. There were also many conference calls where the states and the FCC spent many hours working together to find a solution that could be acceptable to all or at least most. The continued usefulness of the USOA is very important to Indiana because we, along with many other states, mirror the FCC USOA. Requiring the carriers to file the same form of report gives comparability between states that may not otherwise be possible. States may not be able to require carriers to provide information on operations out of state due to questions of jurisdiction.

We are aware that many in the industry have argued that the State PUCs do not need the level of detail in FCC's Uniform System of Accounts because we can simply request that information, ourselves, if we need it. The validity of this argument depends entirely on the willingness of ILECs to provide the data, in the first place. Once the FCC removes an account or sub-account from the USOA, the IURC is very concerned that we may have difficulty gaining the cooperation of ILECs in voluntarily filing the data. The ILEC may make the argument that they no longer keep the data at that level of detail.

State representatives suggested some new accounts to enable the States and the FCC to continue to understand the nature of the ILEC's investment and the nature and extent of "universal service" support, and to ensure that prices are reflective of actual costs. Additionally, such information will enable the FCC and states to monitor financial aspects of issues such as competitive market development, deployment of packet switching networks and technologies, utilization of collocation space, and the ILECs willingness to allow interconnection, The FCC's proposed accounting and reporting streamlining measures made in the Notice of Proposed Rulemaking and Public Notice were made in the spirit of cooperation with the ILECs and the states to reduce certain filing requirements that the ILECs believe to be burdensome while still collecting, reporting, and maintaining certain data necessary for regulatory oversight obligations. These standards in accounting and reporting data are essential in the monitoring of the network and the state of competition. Elimination of accounting safeguards before competition has sufficiently begun to develop will provide certain opportunity for cross-subsidization, non-cost based UNE and interconnection pricing consequences that will hamper the development of competition in the exchange access and local exchange markets.

Congress gave the States significant duties under Sections 251, 252 and 271 of the 1996 Act and the FCC did not hesitate to give States significant guidance on how those duties are to be carried out particularly with respect to how prices and rates are established. States are also charged with certifying carrier's use of universal service funds. The existing and proposed accounts provide useful and essential information to the states to carry out each of those duties

Regarding the need for more, and more disaggregated, information on universal service, we believe that the recent 10th Circuit Court's decision that the FCC did not sufficiently justify its contention that the FCC's USF methodology provides "sufficient" support underscores the need for more, not less, financial data for universal service revenues and expenses.

The June, 2001, Public Notice listing the new proposed accounts reflected generally what the States understandably anticipated would be the Bureau's recommendation, given the many months of close collaboration between CCB and State staff members striving to strike a balance between eliminating and consolidating existing accounts and sub-accounts and adding new accounts.

Finally, it is very important to emphasize that (1) States have been working with the FCC all along on the reform effort not just because we were asked to do so, but because FCC action in this area can directly affect State interests and (2) the joint effort has achieved significant reductions (about 40%) in the number of accounts.

The Indiana Utility Regulatory Commission requests that the Federal Communications Commission approve the new proposed Uniform System of Accounts as it was presented in the June, 2001 Public Notice.

Sincerely,

William D. McCarty

William D. McCarty, Chairman

David W. Hadley

David W. Hadley, Commissioner
Commissioner

Judith G. Ripley

Judith G. Ripley,
Commissioner

Camie Swanson-Hull

Camie Swanson-Hull, Commissioner
Commissioner

David E. Ziegner,
Commissioner

Cc: Kyle Dixon - CCB Assistant to Chairman Powell